INTELLECTUAL PROPERTY RIGHTS IN R & D CONTRACTS WITH THE EUROPEAN SPACE AGENCY

Contracts with the European Space Agency are governed by the General Clauses and Conditions containing all elements normally foreseen in a research and development contract. The core of the contract is even limited to a reference to these General Clauses and Conditions and only indicates which modifications have been made.
Part II of this document is specifically dealing with the intellectual property rights for research and development contracts and this part will be discussed hereafter.

Ownership of the results

The general principle is clear: the contractor is the owner of the results of his work. This clear rule may surprise. Although ESA is funding the total cost of the project, the contractor will receive all industrial property rights on the results. Of course, ESA will retain the right to use these results for its own space activities but the contractor will be free to use his results for other applications.

If the contractor decides to do so he will have to pay a fee to the Agency if this fee is provided for in the contract between the Agency and the contractor. Other applications by the contractor comprise the sale of any product, application or result or any licence or assignment of any IP rights arising from the contract with the Agency which are exploited within 10 years from the date of Acceptance of work arising from the Contract (article 46.1). The total amount of fees to be paid by the Contractor to the Agency will not exceed the total of the costs paid by the Agency (article 46.2).

Nevertheless, the contractor will not have to pay a fee to the Agency if a product, application or result is sold or rights are assigned or licensed in the field of space research and technology and space applications in a Participating State (article 46.3).

In previous versions of the regulation on general clauses and conditions royalty rates were automatically due if the contractor used the results for other than space activities. The royalty rates comprised of 3% of the ex-works value for each sale in case of the sale of products resulting from an ESA contract or produced using such results and 30% of the gross payment for a licence agreement or the assignment of rights on results. These royalty rates are not included anymore in the General Clauses and Conditions.

Not only ESA, but also certain other parties such as academic and research institutions shall have the right to use all intellectual property rights arising from work performed under the contract between the contractor and the Agency (article 41). However, they shall be bound by the limitation of legitimate commercial interest. If a contractor wants to transfer results achieved under an ESA R&D contract outside the member states of ESA or to any international organization, the transfer shall comply with all applicable laws and any relevant international agreement relating to the export of goods and services.

All these obligations may give you the impression that the ownership granted to the contractor may be difficult to exploit. However, the general conditions of ESA do give any contractor the possibility to use his results effectively within the European space industry and, above all, to look freely for new applications of said results. Taken into account the 100% funding by the Agency this is a unique opportunity.

ESA's rights on R&D results

ESA wants of course to use the results in its normal activities. The General Clauses and Conditions therefore grant the Agency what could be described as a limited licence to use the results. ESA is granted a free licence to use the results "for its own requirements in the field of space research and technology and their space applications" (article 41.1). Moreover, the Agency is entitled to grant sublicenses for these applications within the territory of the ESA member states. The same rights are granted to the different member states, who can ask an ESA contractor to be granted a licence on his results and can transfer these results to their space companies.

Although the contractor will always be informed of all sublicenses granted to third parties it is clear that these rights of the Agency and the member states can have unpleasant consequences for the contractor. If the results constitute a critical technology for the contractor a patent should be applied for in order to avoid the risks related to this transfer of his results to third parties. The contractor can ask ESA to delay the disclosure of the results if he intends to file a patent application. Article 40.1 confirms that the Agency shall not disclose information or results for a period of 12 months from the date on which was reported to the Agency if the results may (in the opinion of the contractor) be registered as IP right. Article 40.3 confirms the duty of the Agency not to disclose information used in any application for registered IP rights until the publication of the application of registration.

For these results where no patent (or similar) protection can be obtained for (i.e. results protected by copyright in general and software) the Agency will be bound by the confidentiality obligation contained in article 38.1 till 38.2. Under article 38, the Agency shall not make any documentation public that is confidential. The Agency shall only circulate such confidential information to its employees that require this information to comply with the contract or for using, modifying or maintaining any product, application or result of the Contract. Such information will not be given by the Agency without the consent of the contractor to those who are not employed by the Agency (article 38.2).

Re-supply

Re-supply is defined in article 47. Article 47.1 provides: “The Agency has the right to have a product, application or result of the Contract resupplied by the Contractor or by a Third Party selected by the Agency for the Agency’s Own Requirements”. The contractor holds a right of first refusal for any re-supply of products, applications or results developed under a prior contract with the Agency. When re-supplying, the Agency shall have to request first, in the event of a fully identical product developed under the earlier Agency contract, the contractor to re-supply before engaging in negotiations with other parties. The original contractor should be able and willing to re-supply at a fair and reasonable price. If the original contractor and the Agency do not enter into an agreement to re-supply, the Agency may put the contract out to competitive tender. However, there is no obligation for the Agency provided in article 47.2 for putting out such a competitive tender.

If re-supplying is done by a third party selected by the Agency, the Agency will have to pay the original contractor a compensation. The Agency shall reimburse the contractor at a reasonable rate to be agreed on (article 47.5). However, the contractor will be required to provide assistance, know how or documentation to that third party.

Background Information

Background Information means " all Intellectual Property Rights not developed under contract with the Agency either prior to or during execution of the Contract which are used by the Contractor and/or the Agency to complete the Contract or required for use of any product, application or result of the Contract" (annex IV of the regulation). The contractor will have to inform the Agency at the start of a project of any background information he intends to use for the execution of his contract. The ownership of such background IP rights will not alter during the performance of the contract (article 43.2). The Agency can require background IP rights owned by the contractor for the Agency project specified in the contract. In this event the contractor shall grant a irrevocable, free, worldwide licence to enable the Agency to use and modify any product, application or result of the contract for that project. If any other party requires background IP rights owned by the contractor to use and modify any product, application or result of a contract for the Agency's own requirements other than for the specific project in the original contract, the original contractor shall grant a licence on market conditions to that third party (article 43.4).

Software: source code

The general clauses and conditions include a separate clause concerning software (article 42). However, as article 42.1 provides, in principle the general regime will apply for software. There are no differences regarding ownership or the use of the results. However, concerning source code there is a special regime installed.

In article 42.3 and 42.4, the release of source code regarding foreground IP right is discussed. The contractor shall have to deposit the software to the Agency in a number of events:

a) Insolvency of the contractor or ceasing to carry out its business;
b) Breach of contract committed by the contractor and not remedied within 60 days;
c) The contractor assigned IP rights protecting the software.

When the source code is required for the Agency's own requirements, the contractor shall have to release the source code. However, this shall be done under confidentiality terms. The release is required in the event the Agency wants to:

a) operate, integrate or validate software developed under the Contract with other Agency systems;
b) maintain or modify software developed under the Contract;
c) operate, integrate, validate, maintain or modify updates, modifications or enhancements to software developed under the Contract.

Source code protected by background IP rights follows a partly similar regime. Article 43.5 provides that source code protected by background IP rights owned by the contractor shall be released for the Agency's own requirements. An explicit reference to the regime in article 42.4 is made. Therefore, source code protected by background IP rights shall only in two events be made available to the Agency:

a) use for the Agency's own requirements or
b) compliance with article 42.4 be made available to the Agency.

Conclusion

Although the General Clauses and Conditions are of course intended to be applicable to all R&D contracts concluded by ESA, the parties have, more than with the CEC, the possibility to negotiate with the Agency. These negotiations cannot alter the fundamental division of the intellectual property rights as described above. But if a party wants a specific protection of its background or results, if the necessary background is so important that a compensation should be foreseen or if a party believes to have sufficient reasons to be granted a waiver for the obligation to pay royalties this may be discussed with the representatives of ESA. However, each potential contractor with ESA should keep in mind that although the ESA contracts may seem very complicated and ESA, as well as the member states and their companies, have extensive rights to use the results for space applications, he will be in an almost unique position once the contract signed. His development will be paid for at a "total cost plus" basis and he will nevertheless remain the sole owner of his results.

Hans Bracquené